

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the Matter of:

East Michigan Conference of the Free
Methodist Church of North America
2186 West Vienna Road
P.O. Box 28
Clio, Michigan 48420

Enforcement Case No. 05-3907

Rev. Bradley M. Lockwood
2186 West Vienna Road
P.O. Box 28
Clio, Michigan 48420

Rev. Raymond D. Shinabarger
2186 West Vienna Road
P.O. Box 28
Clio, Michigan 48420

Karen Burt
2186 West Vienna Road
P.O. Box 28
Clio, Michigan 48420

Respondents.

CONSENT ORDER AND STIPULATION

Issued and entered
on December 5, 2005
by Linda A. Watters
Commissioner

I. CONSENT ORDER

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Respondent, East Michigan Conference of the Free Methodist Church of North America is a domestic non-profit corporation incorporated under the laws of the State of Michigan having its principal place of business located at 2186 West Vienna Road, P.O. Box 28, Clio, Michigan 48420

2. Respondent, Rev. Raymond D. Shinabarger is the corporate resident agent and Conference Superintendent for East Michigan Conference of the Free Methodist Church of North America.
3. Respondent, Rev. Bradley M. Lockwood is the Attorney for East Michigan Conference of the Free Methodist Church of North America.
4. Respondent, Karen Burt is the Chief Financial Officer of East Michigan Conference of the Free Methodist Church of North America.
5. On or about May 19, 2003, East Michigan Conference of the Free Methodist Church of North America advised the Office of Financial and Insurance Services that it wished to offer and sell securities to Michigan residents pursuant to a claim of exemption from registration under Section 402(a)(8) of the Michigan Uniform Securities Act, 1964 PA 265, as amended (“Act”) and to exclude certain persons from the definition of an “Agent,” as defined in Section 401(c) of the Act, in connection with the offer and sale of their securities.
6. On January 13, 2004, Frances K. Wallace, Chief Deputy Commissioner issued and entered an Agent Exclusion Order under Section 402(a)(8) for Rev. Ray D. Shinabarger and Rev. Bradley M. Lockwood. The Agent Exclusion Order excluded Rev. Ray D. Shinabarger and Rev. Bradley M. Lockwood from the definition of an agent under Section 402(a)(8). Further, the Agent Exclusion Order was effective for one (1) year, until January 13, 2005, unless extended by the Office of Financial and Insurance Services.
7. Although, the Office of Financial and Insurance Services and Rev. Bradley M. Lockwood on behalf of East Michigan Conference of the Free Methodist Church of North America had several conversations concerning an extension of the Section 402(a)(8) exemption, the Office of Financial and Insurance Services never granted the extension.
8. On or about February 4, 2005, the Office of Financial and Insurance Services advised the East Michigan Conference of the Free Methodist Church of North American that its current exemption under Section 402(a)(8) of the Act expired on January 13, 2005.
9. Respondents knew or should have known that Section 301 of the Act states that it is unlawful for any person to offer or sale securities in Michigan, unless the securities are registered, exempted, or federally covered.
10. Respondents further knew or should have known that Section 201(a) of the Act states that a person shall not transact business in the State of Michigan as an agent unless registered under the Act.
11. Respondents further knew or should have known that Section 401(c) of the Act provides the definition of an agent.
12. Respondents further knew or should have known that Section 402(a)(8) of the Act provides that securities issued by a not for private profit organization for religious

purposes, are exempt from registration under Sections 301 and 403 of the Act, only if the issuer meeting all of the requirements of the section.

13. East Michigan Conference of the Free Methodist Church of North America through Rev. Raymond D. Shinabarger, Rev. Bradley M. Lockwood, and Karen Burt sold securities to approximately ten or more Michigan residents after the Agent Exclusion Order expired on January 13, 2005 in violation of Section 201(a) and 401(c).
14. East Michigan Conference of the Free Methodist Church of North America did not timely file a renewal application pursuant to Section 402(a)(8) of the Act, therefore transactions made after January 13, 2005, violated Section 301 of the Act.
15. On October 20, 2005, pursuant to the authority of Section 306(a)(1) of the Act, Frances K. Wallace, Chief Deputy Commissioner issued and entered three Stop Orders Suspending the Offer and Sale of Securities against East Michigan Conference of the Free Methodist Church of North America, Rev. Ray D. Shinabarger, Rev. Bradley Lockwood, and Karen Burt.
16. On November 7, 2005, the Office of Financial and Insurance Services received a request for hearing for the three Stop Orders.

B. ORDER

Based upon the findings of fact and conclusions of law set forth above, it is ORDERED that:

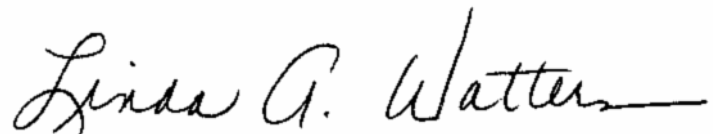
1. Respondents shall cease and desist from violating the Act, including but not limited to Sections 201, 301, 401, and 402 of the Act, by refraining from transacting business as an unregistered and non-exempt agent, and from offering or selling unregistered and non-exempt securities in the State of Michigan.
2. If in the future Respondents violate Sections 201, 301, 401, or 402 of the Act, the Administrator will revoke East Michigan Conference of the Free Methodist Church of North America's exemptions under Sections 402(a) and/or Section 402(b) of the Act, including but not limited to East Michigan Conference of the Free Methodist Church of North America's right to sell exempt securities or engage in exempt transactions in the future absent compliance with the registration provisions of the Act.
3. Respondents shall provide notice that complies with Section 410(e) of the Act, to all investors that purchased East Michigan Conference of the Free Methodist Church of North America's securities after January 13, 2005. The Notice shall inform the investors that the securities were offered and sold by unregistered agents in violation of Section 201 of the Act and the securities were not exempt and violated Section 301 and 402(a)(8) of the Act, which makes it unlawful for any person to offer or sale securities in Michigan, unless the securities are registered, exempted, or federally covered. The Notice shall further convey to the investors, East Michigan Conference of the Free Methodist Church of North America's offer to refund the consideration paid for such securities, together with interest at the rate of 6% per year from the date of payment, less the amount of income received on the security, upon the investor's request and tender of

the security back to East Michigan Conference of the Free Methodist Church of North America, as provided by Section 410(a) of the Act. Upon the request and tender-back of the security by any investor so notified, Respondents shall promptly remit any amounts due and owing to the investor pursuant to the foregoing calculation.

4. Within thirty (30) days after the date this Consent Order is issued, Respondents shall pay to the State of Michigan, through the Office of Financial and Insurance Services, a civil penalty as follows:
 - a. Rev. Raymond D. Shinabarger, Two Thousand Five Hundred and 00/100 Dollars (\$2,500.00).
 - b. Rev. Bradley M. Lockwood, Two Thousand Five Hundred and 00/100 Dollars (\$2,500.00).
 - c. East Michigan Conference of the Free Methodist Church of North America, Five Hundred and 00/100 Dollars (\$500.00).
 - d. Karen Burt, Five Hundred and 00/100 Dollars (\$500.00).

Such payment shall be made via certified U.S. funds and remitted to the Office of Financial and Insurance Services.

5. Respondents agree to be bound by this Order and waive any right to a hearing or an appeal of this Order, and agree that such Order is final.
6. Upon issuance, this Consent Order shall resolve all administrative claims arising out of or relating to this matter.
7. Upon issuance of this Consent Order, Respondents shall withdraw their request for a hearing concerning the Stop Orders issued against East Michigan Conference of the Free Methodist Church of North America, Rev. Raymond D. Shinabarger, Rev. Bradley M. Lockwood, and Karen Burt.
8. Upon issuance of this Consent Order, the Office of Financial and Insurance Services shall timely review and complete East Michigan Conference of the Free Methodist Church of North America's current exemption application.



Linda A. Watters, Commissioner
Office of Financial and Insurance Services